



AMANAT LEBUHRAYA RAKYAT BERHAD - PRESS STATEMENT

KUALA LUMPUR, 8 April 2022 - Amanat Lebuhraya Rakyat Berhad ("**ALR**") has made offers to acquire the entire equity interest of the concession companies relating to four highways, namely KESAS, LDP, SPRINT and SMART for an aggregate enterprise value of RM5.48 billion. ALR shall acquire the said concession companies together with all its existing infrastructure and assets, whereby one of the most important strategic assets are the employees of the concession companies – none of the employees will be left behind in this acquisition.

This acquisition is an integral part of the toll restructuring proposal for the said four highways, as announced by both the Prime Minister of Malaysia, YAB Dato' Sri Ismail Sabri bin Yaakob and the Minister of Works, YB Dato' Sri Hj Fadillah Yusof on 4 April 2022.

We, the shareholders and Directors of ALR, are pleased to share further information and clarification on the proposal from ALR's perspective.

Existing Situation

Today, users for the four highways are paying a toll charge which is lower than what the concession companies are entitled to receive based on their respective concession agreements, with the difference thereof being compensated by the Government so that the toll charges are not passed on to the consumers.

For example, in the case of KESAS (which will expire in August 2028), users are paying RM2.00 per Class 1 vehicle although the concession agreement prescribes a toll rate of RM3.00 per Class 1 vehicle. Hence, the Government's compensation to the concession company is RM1.00 per Class 1 vehicle. In the case of SMART (which will expire in December 2042), the concession agreement prescribes a toll rate of RM5.00 per Class 1 vehicle, rising to RM7.00 by 2030, whereas users are currently only paying RM3.00.

Without any restructuring, there are 2 potential scenarios that can be envisaged as traffic volume continues to grow - either the Government continues to pay the burgeoning toll compensation, or toll rates are increased resulting in a higher financial burden on the highway users. Neither scenario is desirable.

The solution to such a situation is clear: the concession companies' toll rate entitlement needs to be set at the levels that highway users are currently paying which immediately eliminates (a) any need for Government to pay compensation; and (b) any risk of future toll hikes to the detriment of highway users.

In any typical toll restructuring, the concession tenure would need to be extended to compensate for the loss in revenue for the concession companies and for the full repayment to the Sukukholders.

ALR's Value Proposition and Key Differentiation

This is where ALR's proposal is unique as it aims to minimize the length of the concession extension required. In short, ALR will return the highway concessions to the Government once all its debts are fully repaid.

The 2 critical success factors that facilitate such an innovative arrangement are as follows:

(i) ALR's shareholders do not require any equity return

As would be encapsulated in ALR's Constitution, financing documents and undertaking to the Government; ALR's shareholders will not be entitled to receive any dividends. As a consequence, there is no need to prolong the concession period once all of ALR's debts have been fully repaid.

Notably, as the existing vendors of the concession companies are commercial entities in nature, such a "non-profit" orientation is not viable under the current ownership structure. Hence, the proposal is for ALR to acquire the concession companies.

(ii) ALR minimizes its cost of capital through reliance on debt funding

Without the need to pay dividends to shareholders, the concession companies' cashflows (after meeting operational needs) can now be fully channeled towards supporting any debt financing obligations. Given such dedicated cashflow profile, ALR is anticipated to receive a strong credit rating, allowing us to tap the capital markets to fund the said acquisition (which includes repayment of existing debts).

To aid us in the Sukuk issuance, we have appointed a consortium of reputable banks. For the avoidance of doubt, ALR is not seeking the Government's financial assistance to guarantee its Sukuk.

Arising from the above and based on the expected traffic projections as assessed by an independent traffic consultant (which has taken into consideration, amongst others, the overall GDP, pandemic effect, future developments as well as competing roads and alternative transportation), we envisage that ALR would be able to accelerate the full repayment of any debt financing and return the highways to the Government in a timely manner.

ALR's Shareholders & Board of Directors' Commitment

Lastly, we wish to provide clarification on our involvement as shareholders and Directors of ALR.

Given our personal conviction and belief on the merits of the proposal, where the country and its rakyat would stand to reap the benefits as elaborated above, we have each voluntarily agreed to serve and assume such roles at ALR, which will act as the private sector intermediary to facilitate the transactions.

In that respect, we wish to affirm the following:

- we are independent of both the Government and the existing shareholders of the concession companies;
- we are not representatives nor nominees of any parties nor have any political affiliations;
- ALR will uphold the highest standards of corporate governance and integrity, and will safeguard the interest of Sukukholders;
- ALR will commit to upholding existing high standards of service, with priority on motorist safety;
- ALR will ensure continued compliance with the regulations and requirements of the Malaysian Highway Authority and the respective concession agreements;
- once our mandate to return the concessions to the Government is achieved, we are required by the Government to dedicate ALR's residual surplus, if any, to the furtherance of the continuing maintenance of highways, and/or to the improvement of urban mobility of the motoring rakyat;
- we are not entitled to receive any dividends or shareholder distributions from ALR.

With humility, we hope that our collective track record in the public and private sector would be a testament to our affirmations above and our sincere intentions to facilitate the toll restructuring for the benefit of all stakeholders involved.

For and on behalf of Amanat Lebuhraya Rakyat Berhad,

Tan Sri Azlan Mohd Zainol

Dato' Idrose Mohamed

Dato' Ir Soam Heng Choon

Dato' Dr Nirmala Menon

Dato' Mohamed Sharil Tarmizi

For more information, please refer to: www.amanatlr.com